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In the course of the work on major sectoral studies carried out by the UNIDO Division for Industrial Studies, several working papers are produced by the secretariat and by outside experts. Selected papers that are believed to be of interest to a wider audience are presented in the Sectoral Working Papers series. These papers are more exploratory and tentative than the sectoral studies. They are therefore subject to revision and modification before being incorporated into the sectoral studies.

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Preface

This document is one of several studies prepared by the Sectoral Studies Branch, Division for Industrial Studies, as a contribution to the preparation for the Fourth General Conference of UNIDO. They were used as input to the main background paper for Agenda item 5(c) of this Conference, "Mobilization of Financial Resources for Industrial Development".

Other titles include: "Proposals for reform of the international financial system: implication for industrial financing", "Exchange of information among developing countries' banks to facilitate industrialization", and "The role of South multilateral institutions in industrial finance: patterns, problems and perspectives".

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ECONOMIC AND TECHNICAL ABBREVIATIONS

DAC	Development Assistance Committee of the OECD
SDRs	Special Drawing Rights
LIBOR	London Inter-Bank Offered Rate

ORGANIZATIONS

OECD	Organization for Economic Co-operation and Development
EDF	European Development Fund
IMF	International Monetary Fund
IFC	International Finance Corporation
CDC	Commonwealth Development Corporation

I. INTRODUCTION

The rules and conditions that accompany all forms of finance, including industrial finance, can in principle be changed. This may be more difficult where finance from abroad is concerned, for an individual developing country. However, not all such conditions are non-negotiable. It is also possible for domestic institutions (including the government itself) to borrow from abroad and then to on-lend the foreign finance on more suitable terms to domestic borrowers. Moreover, the terms of most domestic finance are within the power of developing countries to change, even though availability may be constrained by macroeconomic conditions and the demands of other sectors. Finance is an area therefore where it may be relatively easy to make useful changes.

II. EXISTING SOURCES OF FINANCE

A. Foreign equity

Traditionally, foreign finance for manufacturing industry in developing countries was in the form of equity. All the equity, and with it ownership and control, remained in the hands of the foreign shareholders. In many countries this has become politically unacceptable on two grounds. First the belief that foreign ownership of domestic assets is incompatible with economic and political independence. Secondly, on the grounds that foreign ownership and control enables the foreign owner to capture a quite disproportionate share of the profits generated by the enterprise. The two reasons tend to feed on each other. The very existence of foreign ownership raises questions of potential exploitation. The discovery of such abuses as transfer pricing, tax evasion and prohibition of exports by foreign companies reinforces the belief that all foreign investment is damaging to the interests of developing countries. Clearly that is not true; but there is a need to find new ways of financing that retain some of the flexibility of equity while relieving some of the worries, both real and imagined, of host countries.

The point is that equity is often well suited to the condition of manufacturing firms in developing countries, in a way that no other form of international finance is. Loan finance almost invariably carries fixed debt service commitments, which have to be met regardless of the availability of profits to make the payments. All projects are liable to variations in profits. Manufacturing projects in developing countries are more vulnerable than most because of such problems as fluctuations in prices of commodity exports or sharp changes in the demand for manufacturing products and in the availability of essential imported input.

Foreign equity is not always ideally suited to the capability of countries to pay dividends. It is possible for a company to be making profits at a time when the host country is facing balance of payments difficulties and is unable to supply foreign exchange for dividend payments. However, a great deal of foreign manufacturing investment in developing countries is in export industries. Therefore shortage of imported inputs reduces company income, so that variations in company income and in foreign exchange availability are quite likely to be in the same direction. But there is some flexibility in the service obligations of equity finance, as compared to none in the case of almost all loans. Equity service is by definition linked to the earnings and the capacity of companies to pay.

But, as already pointed out, foreign equity finance has become unacceptable to many developing countries. Suspicion has led to confrontation, for example in the form of disputes about the amount of compensation for compulsory take-overs. This in turn has caused potential investors to be unwilling to invest in both the countries where these events have occurred and in other developing countries which are viewed, rightly or wrongly, as having similar intentions. No doubt the remaining investment that takes place is, in many cases, more

costly to the host country than would otherwise be the case, because investors perceive a higher level of risk. For the same reasons, there is probably a bias towards investments with exceptionally quick returns, and against investments with profits spread over long periods, to the detriment of a balanced type of industrial development.

Not surprisingly, equity is a declining portion of foreign financial flows to developing countries. It fell from 19% of the total in 1970, to 14% in 1981[1/]. For many countries it has dried up altogether. It is possible to separate the various components of direct foreign investment. Finance and management need not necessarily be provided by the same partners. Loans might be required to acquire technology, management or certain imported inputs. However, the various forms of foreign loan finance available have a number of serious drawbacks for developing country borrowers, over and above the problem of fixed debt service already mentioned.

B. Eurocredits

The fastest growing form of foreign finance in the 1970's was syndicated eurocredits. These have several important advantages. In contrast to loans from multilateral institutions, such as the World Bank, eurocredits can be arranged very quickly. Furthermore they are not tied to purchases from any one country, as are export credits and a high proportion of bilateral aid. It is also possible for the total flow of eurocredits to increase very quickly in certain circumstances. This may be tremendously important to a country faced with a sudden and considerable drop in its foreign exchange availability, and is in sharp contrast to the bureaucratic constraints or rapid changes in the flow of bilateral aid. One further advantage of eurocredits is

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1/ 1982 Report of the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD), p. 51

that they are available in a wide range of currencies, and since 1981 in SDRs. Borrowers should, therefore, be able to diversify the currency composition of their debt portfolio in a planned way when using the euro-currency market. Unfortunately, borrowers from developing countries have taken little advantage of this facility, while borrowing heavily from the euromarkets in US dollars. A small number of loans have been denominated in SDRs, starting with one for the Ivory Coast in 1981.

Against these advantages, the financial charges carried by eurocredits can be very much higher than those on other forms of international finance. They carry fully commercial interest rates and a number of other charges such as signing fees, management fees, commitment fees, drawdown fees, etc. This means that the effective rate of interest on a euroloan is as much as four or five percentage points above the nominal interest charge of the London Inter-Bank Offered Rate (LIBOR) plus an agreed margin. Euroloans have a typical maturity of five to ten years, the actual maturity varying with the status of each borrower and with market conditions. These maturities are markedly better for the borrower than those on overdraft finance and trade credit. However, they still impose a more severe burden of debt loans. Relatively short maturities also reduce the time available for inflation to decrease the real value of debt repayment. This effect increases in importance with the length of the repayment period of a loan. In addition to the considerable level of financial expense, the full cost of eurocredits is not known to the borrower at the time of negotiating the loan, because all eurocredits carry variable interest rates. What is more, there is no reason at all to expect that increases in the rate of interest will coincide with increases in the profits of a manufacturing company in a developing country, or with an increase in the foreign exchange availability of that country. Finally, just as the amount of finance available from the euromarkets can increase very fast, it can dry

up even faster if the international banks change their minds about the creditworthiness of the borrowing company or the host country. Indeed, the company may remain fully creditworthy and yet be unable to obtain new loans, or roll over existing ones, if the host country loses its credit rating in the market.

Since the debt crisis in Mexico, there has been a greatly increased reluctance by international banks to continue to participate in syndicated medium-term loans to developing countries. It has even been suggested that the entire process has collapsed[2/]. Certainly, there has been a significant change in attitudes. In particular, the banks have been shocked at the pressures on them, not only to reschedule their past loans to major borrowers, but also to increase their exposure when their normal instinct would be to do the opposite, Nevertheless, syndicated lending does continue, to those countries which remain creditworthy in the eyes of the banks - notably in Asia. The same issue of Euromoney records[3/] 15 loans to borrowers in South Korea, at least five of which had a maturity of seven years or more. In fact, it may well be the case that the banks are even keener to lend to the remaining countries perceived to be creditworthy, because of their desire to maintain as much as possible of the total volume of their lending and profits. It would seem therefore that eurocredits remain an option for manufacturers in at least some countries; and a successful resolution of the present series of debt reschedulings in Latin America. Combined with a potential recovery in the industrial economies these developments could probably restore the willingness of the banks to lend to as wide a range of developing countries as before.

2/ Tim Anderson and Quek Peck Lim "Syndicated lending - out for the count". Euromoney, February 1983, pp.36-40.

3/ See note 2.

When assessing the true cost of a euroloan, the advantages of speed, lack of tying and the availability of a choice of currencies must be weighed against the high financial cost and the risk of an interest rate which will fluctuate in an unpredictable way during the life of the loan. In addition, as with all foreign loans, the borrower runs the risk of devaluation of the domestic currency when domestic inflation of profits is not large enough to compensate for the additional cost of foreign service. However, the speed with which a euroloan can be arranged can prove a crucial advantage when the activity to be financed is part of a larger integrated project, so that it would be overwhelmingly expensive if delay in getting finance were to cause the whole project to start late.

For example, finance might be needed for the processing of the by-product of a mining project. Large new mines can take as long as five years or more to develop, so that finance for the mine would normally be arranged long before there would be any need to start thinking about financing or building the processing plant. But if the point is reached where finance is needed in a matter of months in order not to hold up the start of mining operations (and the related railway, electricity, water and other connecting infrastructure on which debt service will also be becoming payable) then it would be hopelessly costly, for example, to approach one of the multilateral lenders (such as the World Bank or the European Development Fund (EDF)). Such institutions often take two or three years, sometimes even longer, to agree to the terms of a loan. In the sort of the circumstances described, such a delay would be catastrophic for the whole mining project. It seems that commercial banks think that the borrower knows better how the loan in particular, and the country's development in general, should be managed. But, bilateral aid donors and multilateral banks do not think so which is one of the principal reasons why their loans can take so long to negotiate.

Some of the risks of borrowing in the euromarkets can be partly or wholly offset by actions taken by the borrowing company or by the host country government. There should be no need for companies to take on a large amount of commercial bank debt denominated in any one foreign currency, since the euromarkets can accommodate a diversification strategy. However, it is also possible, as with other forms of foreign borrowing, for the government, or a domestic financial institution large enough to have a diversified portfolio of foreign debt, to borrow directly, and to on-lend in domestic currency. Thus the manufacturer is fully protected from the risk of fluctuations in the major currencies in which foreign debt is mostly denominated. (This will also, of course, protect the manufacturing firm from the cost of a devaluation of the domestic currency, which is a separate problem).

It would also seem desirable for the government to take on the risk of interest rate fluctuations. The government will normally have, through the central bank, some assets invested in the same euromarkets from which domestic companies are borrowing. In some countries the foreign exchange reserves, mostly invested in short-term assets carrying variable interest rates, are, in fact, quite a lot larger than the amount of variable interest rate debt taken on by domestic borrowers. In such a case, where the government has more to gain from a rise in, say, the rate of interest on US dollars than borrowers have to lose, there is obviously a very strong case for the government to carry the risk on behalf of the borrower. Even in countries where the foreign exchange reserves are smaller than the amount of variable interest rate debt, the government would probably be well advised to consider carrying this risk. This is partly on the grounds that the risk is too large and unpredictable for most companies, and partly on the grounds that the growth of manufacturing industry is a national priority (where that is the case). Furthermore, the government is often better placed to get short-term credit or use its reserves

at a time of high interest rates in international markets. It could be argued that governments should not take on the whole of currency or interest rate risk, since this might encourage reckless borrowing by companies. For example, a company might borrow a strong currency at a low interest rate if it knew that the government would carry all the risk of currency appreciation, when a weaker currency at a nominally higher rate of interest would be cheaper in real terms. This problem can be covered by the government arranging to share the risk according to an agreed formula, as is done for parastatal companies in Botswana, for example.

In the absence of a government or a financial institution willing to carry foreign exchange and interest rate risks, any company borrowing abroad in commercial markets is taking a large and unknown risk. The cost of repaying deutschmark and Swiss francs, for example, more than doubled in the 1970's. Although both currencies weakened in the early 1980's this would have been of no comfort to a company which had had to repay some or all of its foreign borrowing before that weakening occurred. LIBOR has varied between 5% and 20% in the last 10 years. Clearly this risk, as well as the foreign currency risk, works in a way that borrowers stand to gain as well as to lose. But the size of the risks is very large. Borrowers should, therefore, be reasonably confident of surviving a bad period for interest rates and currency movements, either because they have large enough reserves or adequate stand-by credit arrangements. There is also a strong case for arranging stand-by credit at the time of the initial borrowing, rather than at the time of a financial crisis, when credit may well be more expensive if not impossible to get.

C. Offical export credits

The flow of official export credits to developing countries is much smaller in total than the flow of eurocredits ($US2.8 billion in 1981 compared with $US25 billion of bank lending). However, official export credits have

many of the same characteristics as private export credits, which are much larger in total volume ($US10.6 billion in 1981). Offical export credits have the considerable advantage of fixed interest rates, currently about 10% with quite minor variations depending on whether the borrowing country is classified as very poor or not. Interest rates and maturities of official export credits are agreed among the major industrial countries from time to time, in order to avoid "excessive competition". This has some curious effects, since the interest rates, until recently, took no account (and still take very little account) of the different interest rates prevailing in the market for the various currencies, nor of their likely variations in value against each other. Therefore, it has occasionally been possible to borrow more cheaply in commercial markets than to use official export credits.

The most important point about export credits, official and private, is whether the borrower is buying the particular goods because of the availability of the credit. All such credits are of course tied to the country offering the credit. Most private credits are also tied to the particular firm supplying the goods. If goods are bought because of the offer of a credit, then the borrower is highly likely to be paying prices very much higher than the cheapest available alternative. Furthermore, the borrower may also have to buy expensive spare parts, replacement equipment and equipment for expansion in the future, for reasons of technical compatibility - without the advantage of subsidized credit. There is an unfortunately large number of examples of borrowers in developing countries which have been seduced into buying expensive and inappropriate equipment because of the offer of export credits.

On the other hand, if the manufacturer first identifies the cheapest equipment appropriate to his needs, then export credits are often a very useful and reasonably priced source of credit, well suited to the purchase of many

types of equipment. At present, all the major exporters of capital equipment are suffering from the international economic crisis and very anxious to export. Thus, the potential borrower is in a very strong position to get credit, at favourable terms (where terms are negotiable), and sometimes to get some of the deal financed by even cheaper bilateral aid.

There are other costs associated with export credits, beside the nominal interest rate, the cost of tying on the price of the equipment, and subsequent purchases of new equipment and spare parts. Most export credits require the borrower to pay the cost of credit insurance. This may be subsidized through the official export credit insurance agency of the exporting country. In fact, the very existence of such insurance may make it possible for the borrower to get credit, which would have otherwise not been available. Nevertheless, insurance charges add to the total cost of the loan, as do various other charges, such as bank charges if the supplier's bank is the source of the funds. In the past, such additional charges have added as much as one and a half percentage points to the nominal interest rate on the loan. The agreement among industrial exporting countries (the "consensus") also requires a 15% cash down-payment. A final point is that export credits are, of course, only available for the purchase of capital goods. In case the the borrower's development plans are influenced by the availability of this type of credit, a bias can be introduced in favour of capital-intensive methods of production. It is vital, therefore, for the borrower to decide first what type of production method is best suited to local conditions, and only then to seek the cheapest suitable equipment and the best method of financing it. In this context, it is worth noting that a number of new industrial countries, including India, have begun to offer export credit for their exports of capital goods and it seems to be worthwhile to investigate whether their equipment is better suited to conditions in developing countries.

Certainly it would be a mistake to assume that if export credit is needed to finance imported equipment, then the importer has no choice but to approach one of the highly industrialized countries, with their likely bias towards very capital-intensive methods of manufacture.

D. Multilateral loans

Multilateral lending is dominated by the World Bank, which has accounted for about two thirds of the total in recent years. Furthermore, some of the other multilateral lenders such as the regional development banks (the Asian, Inter-American, African and Caribbean development banks) tend to follow World Bank practice in a number of important ways. Until recently, one of the main attractions of multilateral loans was that they carried an interest rate which was fixed for the life of the loan. However, the World Bank has recently changed its practice. Its loans, now, carry variable interest rates, although only on a relatively small portion of each loan. In itself this does not add greatly to the risk of using World Bank finance. But because it is no longer possible to calculate precisely a fixed annual debt service, the World Bank has started requiring repayment of equal annual amounts of capital, with interest on the outstanding balance. This means, of course, that the total debt service is highest in the first year of capital repayment, declining thereafter which is a great disadvantage to the borrower. For example, an 11% loan of $US100 million, with a 15-year maturity, would have had an annual debt service of $US13.9 million, according to the previous system of equal annual payments of interest and capital combined. Under the new system of equal annual repayments of capital, total debt service declines from $US17.7 million in year one to $US7.4 million in year fifteen. As a result a borrower who wished to use the eurocurrency market to restore the debt service to its original equal annual level (by running up a loan in the early years and repaying it later when the Bank's debt service declined, assuming an interest

rate of 15%) would have had to borrow up to a maximum of $US15 million - if such finance were, in fact, available.

There is never a choice of currency when borrowing from multilateral sources. However, in July 1980, the World Bank shifted from lending whatever currencies it had available to denominating its loans in terms of the pool of available currencies. This change greatly reduced the currency risk of borrowing from the World Bank. This was also much fairer because in the past one borrower could have had a World Bank loan denominated in, say, Swiss francs, and another in Italian lira or US dollars, and both would have been charged the same rate of interest. Some of the other multilateral lenders denominate in SDRs, which is also low risk from the borrower's point of view. However, some loans are denominated in US dollars, in which case the borrower must assess whether the risk can be safely carried or whether the government or some other agency should be approached to take the currency risk, or share it.

The main advantage of multilateral loans is that their maturities have been very much longer than those obtainable commercially. Some lenders still have very long maturities, especially from their soft loan windows. However, some borrowers have found that the World Bank has been shortening its loan maturities from more than 20 years to around 15 years. This is still attractive, especially for manufacturing projects which tend to have much shorter payback periods than infrastructure projects. But this shortening of maturities would have quite a significant effect on the prices charged by, say a hydroelectric scheme, which would in turn increase manufacturing costs. In combination with the change from a system of equalizing annual debt service payments, the effect could be very serious. For example, the debt service on a loan of $US100 million at 11% for 25 years with equal annual payments of interest and capital combined is $US11.9 million. The debt service on a loan of the same amount at the same rate of interest, but with a 15 year maturity and declining

debt service because of equal annual payments of capital, has total debt service of $US17.7 million in the first year, which is 49% higher than the first loan. The borrower, say a railway or an electricity supplier, might have to charge 49% more to cover loan costs. This additional cost would decline gradually, but of course all projects are most vulnerable in their early years.

It would be very simple to devise a schedule of capital repayments that roughly equalizes total debt service, even when the rate of interest over the life of the loan is not known in advance. It is, therefore, extremely important for developing country governments to try to obtain such a repayment schedule. The World Bank is the most important multilateral lender, both because it is by far the biggest lender, and also because other multilateral lenders tend to follow its lead. Obviously though, the other multilateral lending agencies should also be pressed to avoid unfavourable repayment requirements.

The other main disadvantage is the lengthy delay that is imposed by all multilateral lenders, some more than others, in agreeing to the terms of the loan. Related to this is the lender's interference in the policies and plans of the borrower, which is of course the main reason for delays. While delay can be anticipated by planning to approach multilateral lenders several years before the money is actually needed, its precise length cannot be foreseen, so that there is always a risk of a late start of the project. It should also be noted that the World Bank and other multilateral lenders can stop lending, or delay the commitment of loan funds, for political reasons. The relatively long maturities and low interest rates make multilateral loans attractive in most cases, in spite of the disadvantages described, but the borrower needs to take account of the problems, if only to do whatever is possible to offset their negative effects.

E. Bilateral aid

The major advantage of bilateral aid is the softness of the financial terms. Thus bilateral aid is extremely attractive to borrowing countries, especially at times of severebalance of payments and foreign debt crises, as at present. Indeed, the very softness of the terms of most bilateral aid gives to the lending agency an exceptionally strong bargaining position when negotiating the conditions under which a loan may be used. This is due to the great need of borrowing countries for such soft finance. Bilateral aid is not often available for manufacturing industry, but has a major effect on manufacturing costs because it is frequently used to finance basic needs such as power and transportation.

However, bilateral aid is frequently part of the foreign policy of the lending country - both political and economic. Bilateral aid is often conditional on at least a minimum compatibility on international politics between the borrowing and the lending country. And bilateral aid is not only intended to help in the development programmes of the borrowing country, but also to facilitate exports from the lending countries. Furthermore, it is logical for the lending country to ensure, as far as possible, that its least competitive export industries are supported by bilateral aid loans. Generally, internationally competitive industries can sell their products on international markets without extensive government support. About 50% of bilateral aid is earmarked, in the formal sense, to be spent on the exports of the lending country. An unknown additional amount is informally tied, in the sense that the lending country brings on various pressures on the borrowing country, to use the aid in ways that benefit the lending country's industry. Other costs include the fact that all bilateral aid loans are denominated in the currency of the lending country, and delays in negotiation can be lengthy. Less obvious, but potentially even more important, are the changes, for the worse, in the

borrowing country's development programme and strategy that can occur as a result of the nature of bilateral aid. The bias towards capital intensive and visible aid-financed projects, and against small-scale and labour-intensive projects is clear. The latter provide little in the way of capital goods exports for the lending country and nothing impressive for the visiting aid minister to be shown, but which may be more appropriate to the borrowing country's development.

Few, if any, borrowing countries are so naïve as to think that bilateral aid is as cheap as its nominal financial cost would suggest. Furthermore, there are a number of ways of countering the hidden costs. The cost of tying can sometimes be countered by seeking to match projects to lenders with low-priced exports suitable for them. Delays can to some extent be anticipated with experience of aid finance. Political costs may be negligible where the two countries have similar attitudes. Most importantly, the cost of tying can be calculated, or at least estimated. Bilateral aid may not always be as cheap as it appears on paper, but it may still be cheaper than the cheapest available alternative. However, calculating the true cost of bilateral aid loans is not at all easy. Adequate information is never available, and the cost of spare parts and equipment which will have to be bought, in the future, from the same expensive source (for technical reasons) is difficult to estimate. But some information is available provided that the trouble is taken to seek it out, and more can be bought for sums of money quite negligible compared to the size of the aid involved. In the absence of any information at all on the cost of aid-financed goods, a decision can sometimes be reached by calculating the cost of the loan on the assumption that aid-financed goods are 50% more expensive than the cheapest alternative. That is the approximate result, at least as to the order of magnitude, of some of the research done on the cost of tying.

In cases where the additional cost of goods being bought with the loan now, and in the future, is known or can be estimated, then the calculation is, in principle, very straightforward. The additional costs, discounted to present value using a discount rate equal to the cost of borrowing that would have to be paid if goods from the cheapest available alternative source were to be bought, can be compared to the value of the financial concessions of the loan. That is the grant element of the loan using the same discount rate. Alternatively, the nominal value of the tied loan can be adjusted for the additional costs incurred because of tying, and the real effective rate of interest compared with the cost of commercial finance which would be used for the cheapest available source of supply[4/]. It does sometimes happen that the additional costs are indeed greater than the financial gains from the softness of the loan, in which case borrowing commercially and buying from the cheapest source is the best thing to do, other things being equal. Equally, some loans are so soft that they compensate even for quite high costs of tying. Other, less tangible costs are more difficult to assess. The costs of, for example, interference in the borrower's development programme, delay in agreeing loan conditions, or risk of receiving less aid next year if this year's aid allocation is not fully utilized, can only be a matter of judgement, based on experience and the exact circumstances of each case.

III. FOREIGN FINANCE: FLEXIBILITY THROUGH RESCHEDULING OR NEW LENDING METHODS

It is possible to argue that the mismatch, between fixed debt service on loans and the variable capacity of developing countries to pay, does not really matter. Inability to pay debt service does not result in "bankruptcy", since countries do not go bankrupt - despite frequent use of this word in the press. In international finance, lenders do not have the option of declaring a

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4/ Numerical examples of such calculations can be found in Charles Harvey "Analysis of project finance in developing countries" (Heinemann, 1983).

defaulting borrower bankrupt and selling the borrower's assets for what they will fetch. The only available option is to continue to support the borrower in the expectation of recovering both old and new money at some future date. Corporate borrowers in developing countries could, in some cases, be forced into bankruptcy by their international creditors, but that would still leave the problem of converting the proceeds of the sale into foreign currency.

The almost universal pattern, then, is for negotiations to take place on the rescheduling or refinancing of debt. It is in this sense that the mismatch between the terms of repayment, and capacity to meet those terms, could be said not to matter: the rigidity of repayment terms is only de jure. De facto rescheduling and refinancing provide the necessary flexibility. Furthermore, if rescheduling terms are too severe for the borrower to be able to earn enough to meet the newly negotiated debt service, then further rescheduling becomes necessary, and in the end actually takes place. The point is that creditors can only get their money back if they are willing to provide, after the event, the flexibility in repayment terms that should perhaps have been written into the loan terms in the first place. The world no longer uses force to recover debts. In any case the evidence is that it does not work, as was the case with the occupation of the Ruhr after the first world war.

If countries can default on their debt, and then negotiate at their leisure with creditors, it could be argued that there is no point in devising new forms of lending to reduce the likelihood of default. But borrowers do suffer in such a situation. It becomes extremely difficult to arrange new credit while in default, even the routine trade credit on which nearly all international trade is based. Countries that run into difficulty with debt service are by definition almost all badly in need of additional international

loans. For these reasons nearly all countries choose to negotiate rather than to repudiate their debt, even when they have a strong moral case for repudiation. Borrowers can be expected to prefer more flexible forms of finance de jure. Under these types of loan agreements reduced debt service payments in a bad year would be anticipated which could probably permit easier borrowing in a financial crisis. At present, once a borrower is in default, it is difficult if not impossible to obtain any financial assistance beyond that provided by the delayed payment of debt service on the existing debt.

Lenders also have an incentive to devise new forms of lending. Renegotiation is expensive in management time, damages the lender's reputation, and may lead to reductions in declared profits through greater provision for doubtful debts. Although international banks receive fees for renegotiated loans, the flow of new lending is reduced to zero, or at most to the level forced on the banks by the International Monetary Fund (IMF). If new forms of lending instruments could in fact be devised, based on the borrowers' capacity to pay, lenders would have to be compensated, for the prospect of lower debt service in bad years, by an agreement to pay higher debt service in good years. Meanwhile, a reduction in debt service, because legal under the original agreement, would not require bank auditors to insist on increased bad debt provision out of profits. In short, what is needed is a form of loan agreement which provides for debt service to vary with the ability of the borrower to pay, as with conventional equity, but without the additional factors of ownership and control associated with equity. There are some precedents, both at the national and at the project level. The Anglo American Financial Agreement of 1946 was later amended to include a 'bisque' clause. Namely that the borrower (Britain) could unilaterally defer the annual debt service an agreed number of times during the life of the loan. The deferred payments were to be made after the original loan maturity (but there was no arrangement for accelerated debt repayment, which would be necessary if the arrangement were to be commercial rather than part of a concessional aid

agreement). The Compensatory Financing Facility of IMF, and the Stabex and Minex arrangements of the Lome Convention both have an agreed automatic mechanism for deciding when the sovereign borrower can afford to repay. At the project level, some recent mining finance agreements contain clauses allowing debt repayment to be begun only when the mine is making sufficient profits.

Significantly, these new types of project loan agreement are with private sector banks, which are actually and potentially much more flexible than the multilateral institutions. It is quite possible that borrowers will be able to negotiate more flexible terms with international banks. Where the multilateral lenders are concerned, changes are only possible as a result of prolonged pressure from large numbers of member countries, but such changes take a long time and meanwhile the borrowers are stuck with non-negotiable loan terms. This does not mean that the borrowers should not attempt to achieve such changes, but it does mean that realistically borrowers should plan to have to manage within the existing system for the present. Certain actions which are possible within the existing system are discussed in the next section.

It is worth noting that there are some multilateral institutions which already offer equity finance, notably the International Finance Corporation (IFC) and the Commonwealth Development Corporation (CDC). While this is a partial solution to the problem being discussed, the finance provided by these institutions is conventional equity, with the standard rights of ownership and participation in management of all shareholders being held by the IFC and the CDC. What is also needed is a form of finance with the flexibility of equity in the payment of debt service, and the arms-length relationship between lender and borrower of commercial bank lending.

IV. GOVERNMENT AS A FINANCIAL INTERMEDIARY

There are two main reasons for the centralization of foreign borrowing. All foreign borrowing should at least be monitored by the government, whether it is for the public or the private sector. Whoever does the borrowing, the nation will have to make the foreign exchange available for the payment of debt service. Therefore, the government of a developing country should have a complete record of all foreign borrowing (in developed countries with floating exchange rates and the ability to adjust to varying demands for foreign exchange, this is not so necessary). Secondly, there is a strong case for getting the government to take some of the risks inherent in foreign borrowing, because it is in a much better position to spread those risks, and to manage them through access to reserves and short-term credit.

One way of ensuring that all foreign borrowing is cleared through the central bank is to use the exchange control regulations. If the central bank announces that exchange control permission will only be granted for the payment of foreign debt service where the original borrowing has been registered with the central bank, both lender and borrower will have a strong incentive to see that the loan is indeed registered at the proper time. When such a regulation is introduced for the first time, existing foreign loans can be given a period of six months or so to meet the registration requirement. The process of registration has the additional benefit of providing the central bank with a chance to examine each new loan, and to advise the borrower on its terms and conditions. Particularly in small countries, but also to some extent in larger ones, it is likely that many borrowers will have relatively little experience of foreign financial markets, and could make good use of the accumulated experience in a central institution.

The case for getting the government, or some other large financial institution such as a development bank, to take or share in the risk of exchange rate movements and interest rate changes (on variable interest rate debt), has already been made. Most individual firms are unlikely to be borrowing on a large enough scale to be able to diversify their foreign debt by currency of denomination. There are no forward exchange markets offering cover far enough into the future for any but short-term debt. The only way, therefore, to cover local firms, against the risk of appreciation of foreign currencies borrowed, is to centralize that risk in a larger institution, or in the government itself. The country as a whole will normally have, and certainly should plan to have, a wide range of currencies in its debt portfolio, so as to be able to take on new debt without being exposed to excessive risk of movement in any one currency. The simplest way of doing this is for the government to borrow, and then to on-lend to the final user of the funds, a development bank, or other financial intermediary, in domestic currency. There is a possibility that the local business will have an incentive to borrow in a currency with a low interest rate and a high risk of exchange rate appreciation, if the business pays the interest rate and the government carries the exchange rate risk. This can be managed either by the government advising the business on the currencies to be borrowed, or by the exchange risk being shared in some pre-arranged way by the two parties.

The same procedure is appropriate for the management of interest rate risk. Businesses do not normally have large sums of money invested in international money markets when they are also borrowing from the same markets. Governments do, in the form of the country's foreign exchange reserves. These reserves are in practice held by the central bank, but the latter's profits are normally paid to the government in due course. Where the foreign exchange reserves are smaller than the country's exposure to variable interest rate foreign debt, there is still a case for government

taking the risk, because of the government's greater access to reserves and short-term credit than most domestic business. Obviously where the local business is a subsidiary of a large multinational, there is no need for the government to protect the business from this sort of risk. It is also possible for the government to make a financial charge, fixed from time to time according to experience, both to cover the risk that it is taking, and to discourage excessive borrowing because of the risk being taken by the government.

There is a third reason for suggesting that governments act as financial intermediaries between foreign lenders and domestic borrowers. As argued above, the predominance of foreign loans in foreign finance is thoroughly ill-adapted to the needs of most borrowers in developing countries. In the absence of new and more flexible forms of finance becoming available, it is, nevertheless, possible for a government or other financial intermediary to borrow abroad on the prevailing loan terms, and to on-lend to domestic borrowers on different terms. Such on-lending could either be in the form of equity, or be some new form of debt whose repayment terms would depend in an agreed way on the borrower's ability to pay from year to year. The risk of lower or zero debt service in bad years could be compensated for by the possibility of higher payments in good years. Furthermore, a centralized intermediary would have a good chance of spreading the risk, because there is some chance of the income from different projects fluctuating in opposite directions in any one year.

Governments do already act as financial intermediaries on a large scale. In nearly all developing countries, not just those with governments committed to various forms of central planning, governments already lend to a wide range of domestic institutions: development banks, local authorities, urban

housing authorities, parastatal businesses, private businesses, co-operatives, etc. The underlying rationale for this lending is presumably that the various borrowers should have some sort of financial independence from government in their day-to-day activities, which makes loans more suitable than grants from the budget. The discipline of having to meet the debt service on the loans should, in principle, ensure that the funds are properly invested and properly managed. The government also lends because some borrowers cannot obtain finance from private sources, or cannot obtain it on favourable enough terms. Governments also hold shares in local businesses, either directly or through government-owned intermediaries such as development corporations. Again, the rationale of government holding shares in separate institutions, rather than simply having the activity performed by a government deparment, is presumably that it is more efficient to give the institution some degree of independence from the civil service, and an opportunity to pursue commercial objectives.

The setting up of parastatal corporations and the charging of interest on government loans may indicate an intention to use market prices as a guide to the production of goods and services and the allocation of resources. However, governments often provide loans at well below market rates of interest, and to corporations not making or not capable of or oriented towards making profits, as a way of encouraging or subsidizing a favoured activity.

Many parastatals regard equity as simply a form of free finance, since it is rare that debt service in the form of dividends is required. This can lead both to misallocation of the finance in the first place and to inadequate return to that capital on a continuing basis. For example, the non-payment of dividends on government equity can conceal, via low returns on capital invested, the poor performance of public sector enterprises, or their failure to charge the right prices. Legal requirements and administrative procedures

could be set up to improve the use of government funds or at least provide a greater transparency to the way they are disbursed.

Where government itself provides the equity finance, there should be a formal written agreement as to the conditions for the payment of dividends. Most central banks in developing countries have such a clause written into the central bank act, establishing, for example, that 90% of profits must be paid to the government after a stated capital and reserve has been established. If the parastatal wants to use the profits for capital expenditure on expansion, then it should be required to make a case similar to the case it would have to make if it were asking for "new" money from the government. In order to remove decisions on the use of parastatal profits from the civil service, there is a case for putting government shareholdings into a parastatal holding company run by people with both public sector and business experience.

V. DOMESTIC SOURCES OF FINANCE

It is much harder to generalize about domestic sources of finance than about foreign sources, because of the much greater variety of domestic sources. The main sources of foreign finance are common to all developing countries, whereas there is, of course, a great diversity of financial institutions and domestic lending practices in different countries. Nevertheless, some problems are common to many countries, and are worth discussing, while remembering that a few developing countries have a well-developed financial sector with few, if any, of the drawbacks described below.

The dominant source of finance is probably commercial bank lending. Very often this is only available, at least nominally, as short-term finance. Some overdraft finance is available de facto as longer-term finance, since it is constantly rolled over. But this is not always satisfactory, being vulnerable

to changes in monetary policy. Short-term finance is suitable and necessary for many purposes, but businesses need longer term money as well.

Commercial banking was established in many developing countries for the finance of foreign trade, which is short term, and has never lost that characteristic. Furthermore, many commercial bankers argue that because their liabilities are mainly short-term deposits, it would be imprudent for them to make long-term loans. This attitude is reinforced, where the commercial banks are foreign-owned and managed, by the rules laid down at headquarters by the owners. Basically the argument is wrong because the deposits of the commercial banks are the main component of the money supply and are therefore an extremely reliable source of finance for any sort of lending. The money supply does not suddenly disappear or decrease by an amount larger than the banks' liquid assets, even in very small and open economies. In cases of sudden large reductions in deposits for any one bank, the central bank would act as a lender of last resort (if the inter-bank market did not immediately eliminate the shortfall) subject only to the proviso that the bank's loan portfolio was sound. A good example of the ability of financial institutions to borrow very short and lend very long is the lending of building societies in the United Kingdom, which provide housing loans for 20 years and longer, on the basis of short-term deposits.

Nevertheless, the authorities are often unable to induce the commercial banks to make longer term loans, which is why so many governments in developing countries have set up development banks to provide long-term finance. Development banks have a very useful and important role to play. But there is a gap in the finance available to industry if long-term loans have to be obtained from a public sector institution. Such banks often have obligations to lend to particular sectors or types of borrower, which tends to exclude the unfavoured sectors and types of borrower, unless the development bank has enough funds and

administrative capacity to satisfy all potential borrowers. Most countries are unable to fund their development banks as generously as this would require; and those few countries with very large financial resources tend to have limited management capacity. Furthermore, development banks are frequently required to lend at unprofitable rates of interest, to some or all borrowers. This makes it impossible for the bank to generate new funds internally. As a result, the bank then becomes dependent on the government for new funds for increased lending, and sooner or later the government is unable to provide them. Meanwhile the bank is unable to attract funds from the general public or from the money markets if it cannot charge a profitable margin on its loans.

On the other hand, some institutions have funds to invest for long periods and lack long-term financial instruments to buy. Most notably, insurance companies and pension funds are often restricted to urban property development and government stock for the funds which they can afford to invest for the long term. In contrast, the industrial sector has to finance itself, or to exist precariously on rolling over overdraft finance and trade credits. It is often assumed that it is necessary to have a fully fledged stock market in order to be able to sell long-term debt and equity to institutions, or indeed to individuals. Certainly a market for second-hand financial paper makes it easier to attract investors in the first place. But such paper can sometimes be placed, even if not as easily or in such large quantities as when there is an active stock market. And the existence of new forms of financial obligation, such as "loans" with interest and capital repayment terms dependent on the borrower's success in making profits, with a (possibly limited) upward and downward potential yield, might make it easier to bring together the industrial companies needing finance and potential lenders and investors. Certainly it should not be assumed that it

is necessary to create a stock market before it is possible to raise long-term finance from institutions and the general public. A stock market may follow in some cases; or the holding of equity and long-term loans may be confined to a few institutions (including pension funds). The important thing is to generate a flow of long-term and flexible finance to industry.

Another shortcoming in financial services available n many developing countries is the absence of the sort of financial entrepreneur who can put together a package of finance from both domestic and foreign sources, or bring together lenders and borrowers in the ways suggested in the previous paragraph. One way of selling equity and long-term loans is to advertise them or to introduce them on a stock exchange. Where this is not possible for some reason, as for example in some small economies, there is still a possibility of placing such paper privately, and yet this is not always attempted.

The question is sometimes raised as to whether the government, through its central bank or some other financial parastatal, should act to create a "market" in equity and long-term loans. One argument for doing so would be if there were some chance of it being marketable, and that some sort of buyer of last resort greatly increases marketability in the absence of a private market. A second argument would be that government intervention would create a more stable market, and so avoid the disadvantages of instability and excessive speculation. The problem would be of finding some way of valuing the paper offered to the government, which would both be fair to the investor and avoid landing the government with a series of losing investments. These problems would be made worse by the fact that in most countries the central bank does not have the expertise to decide on the value (if any) of investments in industry. This suggests that if the authorities do offer to

create some sort of liquidity for loans and other forms of finance for industry, they should do so through an institution with an ability to play an informed and active role in the industrial sector.

VI. FINANCE FOR SMALL-SCALE INDUSTRY

A great many well-known reasons have been put forward encouraging the growth of small-scale production in certain sub-sectors of industry. There is no need to repeat the pros and cons here. The question is whether the right way to encourage the growth of this sector is by providing subsidized finance. The argument for subsidizing finance for small-scale industrialists is that they do not have access to private sector financial institutions, or that they cannot afford the rates of interest charged in the private sector. More generally, the argument is that the net social benefit of the development of small-scale industry is greater than the net private benefit, which justifies a public subsidy.

It is by no means always the case that finance is the effective constraint on the growth of small-scale industry. Even if it is, the inability of the private sector to provide finance may be because it cannot do so profitably. Perhaps because the costs are too great - administrative costs or the risk of loss - or, to put the same point slightly differently, because the lenders do not have the ability or the resources to distinguish between those potential borrowers who can make productive use of the money and repay it, and those who can not. If the private sector financial institutions can not lend profitably to small-scale industry, then it is quite likely that a public sector institution will not be able to lend profitably either. This point is reinforced if the public sector institution is obliged to lend at lower rates of interest than the private sector. Indeed this is exactly the sort of situation in which subsidy is common.

Subsidy of the administrative cost of lending such as paying some of the running costs of a development bank, or by providing loans at an artificially low rate of interest, has the effect of making capital relatively cheaper, than it would otherwise have been, and so encourages capital intensive technology. It also has the effect, already described, of making the lending institution unprofitable and therefore dependent on the government for funds to increase its lending. Thirdly, subsidized loans will create an excess demand for the privilege of borrowing them, and the resulting "queue" of borrowers will have to be administered. The process of deciding who will be the borrowers may be influenced by means and methods which have little to do with economic priorities. In practice, the larger scale producers will be best at applying for the subsidized loans. They are better at fulfilling the administrative requirements, or because they are simply nearer geographically to the lender (small-scale applicants from remote areas are very likely to be relatively unsuccessful), or because they have the necessary connections, or other such reasons.

There remains, however, some scope for the creation of specialized credit institutions for lending to small-scale industry. Especially in countries with very underdeveloped financial sectors, such institutions can play a valuable role in assisting important categories of business. There is also an "infant borrower" argument, namely that some businesses may not at first be profitable customers of a development bank, but may later become so, as a result among other things of the financial help provided.

But too much reliance should not be placed on this type of argument. There is no way that a formal sector lender, paying formal sector salaries and overheads, can lend successfully (meaning that costs are covered and the loan repaid) below a certain minimum size of loan. For example, with a five

percentage point margin between the cost of funds and the rate charged to the borrower, the gross revenue for the lender on a $500 loan is only $25. That is not enough to pay for one visit by a skilled loan officer to the borrower, including salary and travel expenses, which leaves nothing for accounting services and other overheads, nor for provision against the risk of default. If all of a bank's customers are in this category, the bank is bound to be unprofitable without subsidy. Some alternative measure to increase the profitability of all small businesses may be more efficient, especially as no development bank is able to reach all potentially successful clients. Development banks tend to be based in capital cities, to have limited representation elsewhere, and not to have enough skilled personnel to reach large numbers of clients. It is also difficult to maintain purely economic lending criteria in a government-sponsored lending institution. In short, formal credit can only profitably come in at a later stage, when the business has grown larger. Unless the government is convinced that subsidy is justified, that it can be sustained, and that there is no more efficient way of providing a subsidy, institutions specializing in lending to small-scale businesses should probably only be a relatively minor part of public policy to this sector. Traditional, often informal, credit channels of the private sectors still have a very important role to play in financing small-scale industry.

VII. CONCLUSION

The right finance, at the right time, and in the most suitable form, can do a great deal to develop industry. Just as important is to ensure industry gets the proper share of available finance. Especially where finance is available mainly through the government, or where finance is from foreign sources, there is a tendency for an excessive portion to be used by the government itself. Governments are, of course, acutely aware of the needs of the public sector, and tend to be better at spending on what they are set up

to do: to provide infrastructure and social services. As the first step it is important to set aside enough funds for industry; step two is to ensure that the funds are available in the most useful form possible. This paper has tried to suggest ways of achieving the second objective.

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Types of finance for industry

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EXCHANGE OF INFORMATION AMONG DEVELOPING COUNTRIES' BANKS TO FACILITATE INDUSTRIALIZATION

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Preface

This document is one of several studies prepared by the Sectoral Studies Branch, Division for Industrial Studies, as a contribution to the preparation for the Fourth General Conference of UNIDO. They were used as input to the main background paper for agenda item 5(c) of this Conference, "Mobilization of Financial Resources for Industrial Development". A preliminary version of this paper was presented at the Third Conference of Banks from Developing Countries, held in Ljubljana, Yugoslavia, 6-8 July 1983.

Other titles include: "Proposals for reform of the international financial system: implication for industrial financing", "Types of finance for industry" and "The role of South multilateral institutions in industrial finance: patterns, problems and perspectives".

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ANNEX

I. QUESTIONNAIRE ON EXPERIENCE AND POTENTIAL OF INFORMATION FLOWS AMONG DEVELOPING COUNTRIES' BANKS 27

ECONOMIC AND TECHNICAL ABBREVIATIONS

TNBs	Transnational banks
TNCs	Transnational companies
ECDC	Economic Co-operation among Developing Countries

ORGANIZATIONS

UNIDO	United Nations Industrial Development Organization
FAO	Food and Agriculture Organization
ACCDC	Research Centre for Co-operation with Developing Countries, Ljubljana.
SWIFT	Society for World-wide Inter-bank Financial Telecommunication
JBMES	Yugoslav Bank for International Economic Co-operation

I. SUMMARY

Commercial and development banks in developing countries still appear to make only a modest contribution to the promotion of South-South co-operation. Undoubtedly, one reason is the lack of co-operation among these banks in exchanging information on industrial and other development projects.

The objectives of this paper were to identify major obstacles to this co-operation, to examine existing patterns of information flows among contemporary banking organizations, and to propose specific measures through which banks in developing countries could strengthen the exchange of information, particularly on industrial and other development projects.

A questionnaire survey (see Annex) pointed out that these banks are poorly informed on projects in other developing countries. They also rely heavily on information sources organized and managed by the big transnational banks, specialized agencies in developed countries, and by some international organizations. Nowadays, more than ever before, timely, comprehensive and reliable information has proven to be an essential element of efficiency and power in economic institutions - including the biggest banking organizations. If banks are to become a force in the strengthening of South-South economic co-operation, they have to improve the entire process of the acquisition, analysis, exchange, and dissemination of information. Such information should relate to the economic potential of each country, the regions, as well as to the potential of South-South co-operation.

To improve their performance these banks have to concentrate primarily on the following categories of information:

(a) Basic country information;

(b) Information on specific industrial and other development projects;

(c) Information on references of firms.

Commercial and development banks in developing countries can substantially improve their information exchange by the full utilization of existing resources (personnel, equipment, and channels of communication). However, in most cases some investment and additional effort is required. Given the material limitations in the developing world, there is also a need for the pooling of resources in this area of activity. Therefore an information system for development projects should link up with and exploit all the existing facilities, be it national, region or international. Furthermore, special attention should be paid to establishing or strengthening subregional and regional information systems. These should be properly linked up among themselves, as well as with information systems operating within international organizations such as the United Nations Industrial Development Organization (UNIDO), the Food and Agriculture Organization (FAO) and in particular the World Bank.

In developing countries development banks should have the leading role in the establishment of such an information network, involving whenever necessary and possible, all commercial and other banking institutions. Of course, the support of the central banks and Governments would be indispensable.

Some basic, guiding principles of an information system for banks in developing countries are the following:

(a) General orientation of the system to be conducive to strengthening individual and collective self-reliance in developing countries;

(b) Design of the system to be adjusted to financial, personnel, technical, and organizational capabilities of these banks;

(c) Participation to be open to all interested parties but initially it would be preferable to rely primarily on those banks from developing countries which have already expressed a strong interest for active participation in the system;

(d) Stability and continuity of co-operation among the members of the system;

(e) Confidential treatment of information on concrete projects.

II. BACKGROUND, OBJECTIVES AND METHODOLOGY

Banks in developing countries - particularly the commercial ones - have so far had a very modest involvement in promoting and supporting South-South economic co-operation. Before attempting to identify the causes for this phenomenon, and searching for mechanisms through which these banks could contribute more, especially in the field of information on development projects, a reminder is in order. The fact is that banking institutions in developing countries have only recently received proper attention within the action programmes of the Group 77 and the Non-Aligned Movement.

Inadequate awareness of the "South-South dimension" was a major feature also of the Group of 24, which has only lately started to concern itself with issues of financial and monetary co-operation, among developing countries. Particularly since the Caracas Ministerial Conference on ECDC, the role of banks in these countries has received increasing attention. Within this framework, it is emphasized that such banks should strengthen their mutual co-operation.[1/]

1/ At the Fifth Summit Conference of the Non-Aligned Countries (Colombo 1976) a proposal was made for a meeting of representatives of finance ministries and central banks in order to consider forms and mechanisms of co-operation and association of developing countries' commercial banks, particularly in the exchange of information, experiences in banking policies, training of personnel and the use of each others' currencies in their commercial exchange. In Caracas (1981) much attention was paid to increasing the awareness of investment opportunities among developing countries, and particularly to the dissemination of information on development projects.

In the reports of all three conferences of banks from developing countries (held in Ljubljana, in 1978, 1980 and 1983) several proposals have been made with regard to closer co-operation among these banks, including the establishment of a network for exchange of information on development projects.

This paper is concerned with a specific aspect of co-operation among banks in developing countries, namely information on development projects particularly within the framework of industrial financing. The basic objectives of this paper are the following:

(a) To analyse the present scope and characteristics of information flows among banks in developing countries;

(b) To identify major obstacles which prevent the expansion of co-operation among their banks in the field of developing projects;

(c) To suggest ways and forms which would stimulate exchange of information among banks from developing countries, particularly in the field of development projects.

Within these basic objectives, the paper will attempt to provide, at least, some answers to the following questions?

(a) How strong is the dependence of banks from developing countries on the information obtained from developed countries;

(b) What are the advantages of transnational banks (TNBs) as compared to banks in developing countries in the field of information on development projects;

(c) What sort of information would the banks from developing countries need to be better informed on projects in their own countries;

(d) Which channels do these banks use to acquire information on development projects?

Furthermore, the paper will try to identify some possibilities in formulating policies that will encourage the exchange of information with banks from other developing countries, bearing in mind the fact that banks are economic entities guided by basic business principles.

Thus the exchange of information on development projects would become an important instrument in restructuring the position and role of developing countries in the international division of labour, by strengthening their collective and individual self-reliance. It should not be underestimated that this is to be a significant contribution to efforts in the establishment of the New International Economic Order.

By a more intensive exchange of information on development projects, these banks could reach the following goals:

(a) Increase participation of firms from developing countries in the preparation and realization of development projects in other developing countries;

(b) Lessen the dependence of banks in developing countries on information acquired from developed countries. These data are sometimes adjusted to the interests and/or possibilities or national economies in which they are generated;

(c) Improve the negotiating position of banks in developing countries vis-à-vis partner banks from developed countries in the co-financing of development projects;

(d) Reduce the risk-factor in their current operations;

(e) Contribute to the strengthening of collective self-reliance in the mutual co-operation of these banks in line with the principles of the New International Economic Order.

The empirical base for this paper is the data obtained directly from 15 banks in developing countries through the above-mentioned questionnaire (see Annex). This questionnaire was prepared by the Research Centre for Co-operation with Developing Countries, Ljubljana, (RCCDC), in co-operation with UNIDO and sent to more than 60 banks.

In selecting these banks an attempt was made to arrive at a fair balance in respect of their field of activity (commercial and development banks), as well as with regard to their regional distribution. The fact that only 25% of the selected banks filled the questionnaire should, in our opinion, be attributed to the general reluctance of banks to furnish information on their activities and priorities. It maybe also be due to the lack of interest in the subject.

The structure of the 15 responding banks is the following:

(a) by profile:

  (i) Ten commercial;

  (ii) Four development;

  (iii) One combined.

(b) by region:

  (i) Four, the Arab World;

  (ii) Four Africa, south of the Sahara;

  (iii) Three Asia;

  (iv) Three Europe;

  (v) One Latin America.

(c) By nature of ownership:

  (i) Twelve national;

  (ii) Three regional.

Apart from the questionnaire, existing UNIDO material was used, particularly those related to the establishment of the Technological Information Exchange Network, material from regional associations of finance institutions,[2/] and other international finance institutions. Documents

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2/ Association of African Development Finance Institutions; Association of Development Financing Institutions in Asia and the Pacific; Latin American Association of Development Financing Institutions.

of the Yugoslav Bank for International Economic Co-operation, as well as the experience of the RCCDC gained in the collection, processing and dissemination of information on the possibilities of co-operation between Yugoslavia and other developing countries in carrying out development projects in these countries were also utilized.

Another source of empirical data were interviews conducted with representatives of banks from developing countries at the Third Conference of Banks from Developing Countries, held in Ljubljana, Yugoslavia in July 1983. These have proven to be an efficient way of collecting the required data. It may be concluded that interviews are a much more effective form of data collection than questionnaires sent by mail, especially as far as the banking sector is concerned. This stems from the fact that in view of the nature of their operations, banks are rather restrictive with regard to providing data on their activities.

III. THE IMPORTANCE OF INTER-BANK CO-OPERATION IN DEVELOPING COUNTRIES AS A CONCRETE FORM OF ECONOMIC CO-OPERATION

In the present unfavourable economic-financial situation in the world, developing countries are increasingly demanding for changes in the international financial order. However, one major pre-occupation for these endeavours is, undoubtedly, the strengthening of their own co-operation in the financial field.

The results of financial co-operation among developing countries to date, are quite limited. The main reason for such a situation is the existing gap between macro-economic and political orientation of developing countries (which is increasingly motivated by the principles of individual and collective self-reliance) on the one hand, and the concrete economic policies in daily practice on the other hand. In other words, current policies are often not

sufficiently co-ordinated or in harmony with the macro-economic and political orientations of these countries. Therefore micro-economic entities, including banks, are not sufficiently interested and motivated to do business with their counterparts in other developing countries.

Moreover, in developing countries, the adoption of economic policy measures, as well as their implementation, are often late in comparison with the existing micro-economic initiatives and interests. This is another reason why, within the framework of the generally adopted policy of collective self-reliance, the implementation of related business activities proves to be even more difficult.

Making the accepted macro-economic policies operational is regarded as a pre-occupation for the expansion of economic, and therefore equally the financial co-operation among developing countries. In this regard, promoting contacts among commercial and development banks from developing countries certainly represents one concrete form of co-operation by these countries at the micro-economic level.

Co-operation among banks from developing countries, as well as other areas of economic collaboration, are functionally very closely inter-linked. This means that co-operation among banks from developing countries is determined by the extent of co-operation in general between these countries.

Inter-bank co-operation which constitutes an important element in the expansion of economic co-operation has much potential in developing countries where banks - and development banks in particular - are closely connected to the State. Banks may be used by Governments to enforce certain economic policy measures in order to stimulate various forms of economic co-operation with other developing countries.

Practically every single preferential measure (in favour of mutual co-operation) requires some financial means, which must be made available to the entitled users in one or several developing countries through the banking systems. Therefore, it is evident that inter-bank co-operation is extremely important for the implementation of the policies of greater collective self-reliance in developing countries.

IV. THE RELATIONSHIP BETWEEN THE EFFICIENCY OF BANKING OPERATIONS AND COMPLETE AND TIMELY INFORMATION

Information is the central point of every decision-making process as it provides knowledge about different alternatives, and lessens the risks involved. The great importance of complete and timely information in making business decisions has been recognized by bankers since long ago. It is, therefore, hardly a coincidence that the first newspaper in Europe was published by a bankers family back in the 16th century.3/

In our time the great dependence of the banking sector upon information is manifested inter alia by a close link of banks with the producers of equipment for data processing and the dissemination of information. Owing to the large capital requirements of this industry, it is understandable that these firms are keenly interested in close co-operation with banks. Simultaneously, banks have become one of the best customers of their products. The convergent interests of the large transnational banks (TNBs) and transnational companies (TNCs) engaged in the production of these equipment enable such banks to monopolize the disposal of an increasingly important part of the entire available stock of information.

By introducing modern computer technologies into the processing and

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3/ Hamelik, Finance and Information, (Norwood, ABLEX Publishing Corporation, 1983), p.51.

transfer of information, the transnational banks have become strong enough to create their own complex information systems and enormous data bases. Thus, for instance, Chase Manhattan is the owner of three information systems (Chase Econometrics Associates Inc., Chase World Information Corporation, Interactive Data Corporation), disposing of data on 120 countries. These data are accessible to subscribers; thus the sale of information becomes an important source of income for the banks which operate such systems.

Moreover, transnational banks also extensively use other information systems only accessible to banking circles. These systems are either completely closed and used exclusively by the bank establishing such a system, or inter-bank, in which several banks share. Examples of closed banking information systems are: Chase Manhattan Private Communication System; or GLOBECOM, a system owned by Citibank (connecting its overseas offices in more than 100 countries). As examples of inter-bank information systems the following could be cited: Eurex, and Society for World-wide Inter-bank Financial Telecommunications (SWIFT).4/

Banks in developing countries should try to improve their selective use of as many information sources as available from transnational banks, since they are generally very good sources of information. On the other hand, leaning too much, or entirely upon information from these sources could have severe negative consequences. Thus greater efforts must be made by banks in developing countries to obtain information from other sources. One such source is undoubtedly the direct exchange of information among the developing countries' banks, themselves.

4/ The system referred to above is discussed in detail by Hamelik see note (3).

V. NECESSITY OF THE EXCHANGE OF INFORMATION AMONG DEVELOPING COUNTRIES' BANKS WITH A FOCUS ON DEVELOPMENT PROJECTS

Information on development projects represents the type of data which banks in developing countries should exchange among themselves with the aim of promoting economic co-operation. This should particularly involve those economic entities which will co-operate in the preparation and execution of industrial and other projects in developing countries.

The results of the survey carried out indicate that the majority of commercial and national development banks lack information on development projects in developing countries. The following is a breakdown of answers to the question whether the bank is furnished satisfactorily with information on development projects in other developing countries:

Commercial banks		Development banks			
		National		Multilateral	
Yes	No	Yes	No	Yes	No
2	8	0	2	2	1

Better exchange of information on development projects, would enable these banks to acquire information needed by their executive boards in the formulation of future policies. Simultaneously, they could serve as an important source of information for interested companies in their countries on their possible participation in the economic development of other developing countries. In this sense, the developing countries' banks would play an important catalytic role in establishing contacts among economic entities in their countries, such as investors, construction companies, suppliers of equipment, consulting and engineering firms, etc.[5/] The importance of this

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5/ Such a function is to a great extent already carried out by developed countries' banks. Their role has since long ago surpassed the narrow limits of conventional banking operations. So they provide consultancy and other services related to the performance of their clients on the domestic and foreign markets.

catalytic role of banks in promoting overall economic co-operation among their countries is much greater because small and medium-sized companies are typical for developing countries. Therefore, they do not have the capability of independent systematic collection of information needed to initiate concrete forms of co-operation with "partners" from other developing countries.

Strengthening of economic co-operation among developing countries can be enhanced by proper exchange of information on scientific, technological, and production capacities of individual countries. This will help the interested and capable firms in their preparation for investment projects, as well as the establishment of joint consultancy and engineering organizations in developing countries. On this basis the development of other forms of economic co-operation and joint performances on international markets is to be expected too.

VI. SOURCES OF INFORMATION ON DEVELOPMENT PROJECTS USED BY THE DEVELOPING COUNTRIES' BANKS

A. Primary sources of information

1. Field information gathered through personal contacts

Data gathered through personal contacts of diplomats, trade commissioners, representatives of banks and companies; through special missions and visits undoubtedly represent an important source of quality and up-to-date information on development projects, planned or already executed.

Regardless of the quality of such information, the developing countries and their banks, have, in comparison to developed countries, less possibilities for their effective utilization. The following are the major causes for this bottleneck:

(a) The relative number of various representatives of developed countries in developing countries is much larger than the number of those from developing countries;

(b) The educational background of employees and the organization of their work in the above-mentioned representative offices of developed countries is usually much better than in their counterparts from developing countries;

(c) Representative offices of developed countries usually possess better infrastructural facilities and are in a more favourable financial situation than the offices of developing countries. This enables them to work more systematically particularly when they have a greater number of specialized personnel;

(d) The number of business travels and visits from developed countries to developing countries is much greater than the corresponding number between developing countries. Study and business visits of the developed countries are also often professionally better prepared than from developing countries;

(e) Co-operation among similar representative offices from developed countries in gathering and disseminating information is much more advanced than among the representative offices from developing countries;

(f) Developed countries often use numerous professionals from the developing countries, educated in these countries, who may hold important positions in Government or business in developing countries.

2. Information gathered through local written sources

Data on development projects gathered through local newspapers, various bulletins, reports, and other information published by the ministries, banks, chambers of commerce, etc., also represent an important source of information. These sources are available to a wide circle of interested individuals and firms, and are the necessary element of over-all information on business possibilities in a particular country. The practical value of this information is often reduced because of incompleteness or inaccuracy, and thus relying exclusively on these sources of information on development projects is not advisable. Such information becomes useful when complemented with personal contacts which offers the possibility of double-checking. Without doubt, personal presence is of essential importance to obtain good information on the economic situation in a country, and particularly so about specific development projects.

Since developing countries are not always in a position to complete the information gathered from local written sources by personal contacts, they often rely on secondary sources of information, usually from developed countries.

B. Secondary sources of information

1. Information gathered through international development banks and funds

The information gathered and disseminated by international development banks/funds on development projects is of vital importance to developing countries and their banks. International development banks/funds regularly supply information on development projects to banks in all member countries so that, formally, all member countries are in an equal position to participate in the projects.

The under-representation of developing countries at all levels of these institutions gives the enterprises from developed countries an additional advantage in the utilization of such information. Furthermore, member countries with a stronger representation network in developing countries (these are again the developed countries) in which the project will be carried out, have much better chances of establishing the necessary contacts with the respective investor. This enables them to offer the consultancy services which are usually required in the initial phases of an industrial or other development project.6/

Besides that, insufficient marketing information also lessens the participation of developing countries in the realization of developing projects in other developing countries, in spite of the preferential treatment and the possibilities of collaboration with local partners.

2. Information gathered from information sources in developed countries

In the process of penetrating markets in developing countries the TNCs and other companies from developing countries have started systematically to gather information on all crucial characteristics of the socio-economic and political development of these countries. On the basis of this systematic gathering of information, some specialized information systems have developed. Within these systems an important segment represents the information on development projects, planned or in the stage of execution in particular developing countries.

6/ The activities of consulting companies of the developed countries in developing countries provides an excellent opportunity for gathering information. Owing to their relatively scarce consulting services, this possibility does not exist between developing countries themselves.

Owing to the limited possibilities of banks in developing countries and other economic institutions to gather data on development projects in developing countries through primary sources of information, these information systems have become an important source. Thus, the share of secondary information sources within the over-all collection of information by economic entities in developing countries, is substantially larger than in developed countries.

These information sources are undoubtedly very useful, especially when utilized in a systematic and analytical manner, but when applying them their weaknesses must be taken into consideration. It is important to note that all these systems reflect to some extent the specific commercial interests and technological capability of the country from where the system is operating. This is reflected also in the selection of countries, as well as in the selection of economic sectors for which information on development projects is being gathered and disseminated. In spite of the usefulness of this secondary source of information on development projects for economic entities of developing countries, the above mentioned deficiencies point out that it should neither be their exclusive, nor their dominant source.

VII. MODALITIES AND INSTRUMENTS OF EXCHANGE OF INFORMATION ON DEVELOPMENT PROJECTS AMONG DEVELOPING COUNTRIES' BANKS

The above title refers to a very large spectrum of exchange of information among banks from developing countries, linked directly or indirectly to development projects. Accepting this definition of the term, the information on development project can be divided into the following three types:

(a) Basic country information;

(b) Information on a specific development project;

(c) Information on references of individual firms.

A. Basic country information

A bank in a developing country wishing to establish or further develop its co-operation with banks and other economic entities in other developing countries has to obtain basic data relating to these countries. In addition to the data on geographical characteristics, major economic resources, and basic characteristics of its socio-economic system, the bank should primarily acquire data determining the economic-financial profile of the respective country. To define this profile, it needs information relating to the economic system of the country as well as its macro-economic aggregates. Within the framework of the latter, data giving an insight into the patterns and trends of its foreign economic relations is of special interest.

For banks from developing countries wanting to co-operate with partners from the developing world, some of the most pertinent information is related to the over-all development plans of these countries. A development plan is the most important document because it gives an insight into the basic objectives of the socio-economic development of the respective country over a period of time. The plan usually contains also the strategy to be applied in the realization of these objectives. Of course, there are great differences in such plans of developing countries - generated in the first place by different potentials and objective conditions in individual countries.

With regard to the exchange of information among banks in developing countries, the most important differences in their plans are the following:

(a) The difference in the accessibility of the data on development plans; in a number of developing countries the development plans are considered as confidential documents. Therefore only the basic elements of these plans are accessible, while in other

developing countries there is no problem to obtain the integral texts of their economic development plans;

(b) The differences with regard to the binding or normative character of the planning documents; namely the development plan in some developing countries is legally binding. Thus it sanctions the economic entities' liability for the realization of the plan, while in others the development plan is considered more as an indication, a set of guide-lines, or the projection of a possible development for the following period;

(c) The difference in the level of quantitive definition of the plan's targets. While in the development plans of some countries these targets are to a considerable extent quantitatively determined, in others they are more a collection of quantitatively determined targets which a country should reach in the realization of its development plan.

Of greatest importance for the exchange of information among banks from developing countries on development projects would be the following:

(a) Over-all value of the foreseen investments and their timetable;

(b) The volume of expected financial resources for the planned investments. Information on the expected participation of multilateral financial institutions is of special importance;

(c) Priorities of development plan according to sectors and branches (possibly a list of projects to be undertaken in a planned period);

(d) Global development plan targets and general development proportions (intersectoral relations, linkages, etc.).

By distributing basic information on their economies, as well as by updating information on development plans, the banks from developing countries would ensure an additional reliable source of primary information. This would confer great benefits not only on the promotion of inter-bank co-operation among developing countries, but also on the over-all economic co-operation of the countries concerned.

While preparing such information, the banks should make better use of specialized local research institutions disposing of relevant economic and technical information.

B. Information on specific industrial and other development projects

A variety of information systems on industrial and other development projects are operated within the United Nations and outside. The World Bank together with regional development banks regularly disseminate data to interested banks. Information centres and associations publish them in various periodicals, such as Development Forum-Business Edition, New Construction, International Construction, Tiers Monde-Ingénierie, etc. However, there is still room and need for the development of a direct, timely and reciprocal exchange of information on development projects among banks from developing countries.

Comprehensive information on development projects should include a continuous rendering of data on all relevant features of such projects. This means that countries should be mutually informed on all phases of the so-called project cycle - from the identification, preparation, assessment of feasibility,

contracting, execution, and supervision, to the evaluation of the project as a whole. In each phase specific data and information are needed in order to enable the foreign partners to effectively participate in the project.

Potential partners are far more interested in information on the initial phases of a project cycle, i.e. mostly in identification and feasibility of a project. A complete and up-to-date inter-bank information system in developing countries could become an extremely important means of informing firms on development projects foreseen or soon to enter into implementation stage. Thus interested firms could contact investors directly to ask for additional information needed to decide on participation as early as at the time of the preparation of pre-feasibility and feasibility studies.

Additionally, banks from developing countries stress the need for the exchange of relevant information at all stages of the implementation of a project which could influence its success and lessen the risks related to the invested capital. Results of the final phase of the project cycle, i.e. its evaluation are also keenly sought. Great interest for evaluation results was expressed in the replies to the questionnaire. Naturally, bankers wish to learn from experiences gained in financing past industrial and other development projects thus lessening their own risks in financing similar projects.

The following answers were received to question No. 6; "What type of information on development projects would your bank wish to receive from other developing countries' banks".[7/]

7/ In their answers some banks have stated only one type of information they would wish to receive from other banks, some banks expressed a wish for two types of information and some for all four types of information.

Type of information	Commercial banks	Development banks	
		National	Multilateral
- Preliminary information on possible projects (6.1)	6	1	3
- Early notice on projects selected by government or other investors (6.2)	4	0	2
- International bidding terms for projects (6.3)	3	0	1
- Other (6.4) a/	5	0	1
Total respondents	10	2	3

a/ As many as five banks have expressed specific interest in receiving information on the results of developing projects, including the reasons for failure or success.

C. Information on references of firms

References of potential partners constitute an important part of information on development projects. In order to lessen their risks, commercial banks and their clients must collect the most reliable information on possible partners. Owing to their insufficiently developed information systems, and because of their limited co-operation, the developing countries' banks usually acquire this information from financial centres in developed countries and the TNBs. In spite of the "reliability, promptness, and objectiveness" of this information (due to their extremely advanced information system), the banks from developing countries should, nevertheless, consider the ways and means of exchanging direct information on their partners' references.

VIII. CONCLUSION

It seems that the development banks in general, and commercial banks in particular, accept reluctantly the introduction of all new systems which are not commercially attractive in the short run. This was clearly manifested in the answers to the questionnaire on the exchange of information on development projects among banks from developing countries. The majority of respondents expressed preference to exchange of information with other banks through already established channels, especially stressing contacts among the representatives of banks, and their mutual information through bank reports.

Out of the 15 responding banks, 9 preferred the use of existing channels (5 development banks and 4 commercial banks). Commercial banks seem to be interested mostly in ad hoc exchanges of information.

With regard to the idea of setting up a comprehensive information system among developing countries' banks, there seems to be substantial interest (only one commercial bank expressed reservations). However, further elaboration of the idea is needed in order to obtain active participation of a critical mass of banks in the launching of such a system.

Mutual co-operation among banks from developing countries, and co-operation in the field of the exchange of information on industrial and other development projects, is an absolute necessity in the long run. However, it may be difficult to define the commercial benefits of this co-operation in a short period of time. In developing such co-operation there must be awareness of the fact that the banks exchanging this information represent also potential rivals to one another, if not directly, then indirectly - through the competition of their clients attempting to acquire a share in projects. In

spite of all this, banks from developing countries should endeavour to overcome difficulties emerging from possible competition, and create favourable positions vis-à-vis competitors from industrialized countries.

The experience of banks in developed countries has proven the indispensability of some organized pattern of co-operation in the exchange of information. The systems of co-operation among industrialized countries in the field of information cannot directly serve as a model for developing countries. However, they certainly should be taken into account, after careful study and proper evaluation. Such a process could lead to the establishment of a permanent system of co-operation to exchange information on development projects.

The basic characteristics of developing economies in many ways differ from the characteristics of concrete development projects. Therefore, they should necessarily be taken into account in analysing the kind of required system for exchange of information among banks from developing countries.

A. The exchange of basic country information

The term "basic country information" by itself already points to the profile of this category of information, its objective being to inform the partners within developing countries on fundamental parameters of economic development in individual countries. Given the characteristics of these data, they should be disseminated periodically to a wide circle of developing countries' banks.

To generate basic information on national economies would not require major investments by developing countries' banks, because they could mostly be prepared by the existing staff and disseminated through already established channels.

When gathering basic information on their economies, the banks from developing countries should, whenever possible, involve the relevant national research institutes in this activity. Furthermore, it is possible that banks encourage an appropriate division of labour at the national level. In this way each bank would - in its basic information, disseminated to others - give special emphasis to only certain, previously agreed areas.

As an outlet for this kind of information, a bank could use the publications it already issues. Banks already have some experience in this field, although the information published in their annual reports are usually limited to economic trends in the reporting period.

In order to become as complete as possible, basic information on national economies should include - besides economic trends for the previous period - also information on major characteristics of the development plan, and trends in its implementation. In addition, the information on scientific, technological, and production capacities of a country would be of great importance for the easier identification of possibilities for economic co-operation among the respective countries. This would certainly be relevant in the case engaging firms in the preparation of industrial and other development projects (pre-feasibilility and feasibility studies, engineering and consultancy services).

It is clear that in the system of mutual exchange of information among developing countries' banks, all interested development and commercial banks could be included. The system would be founded on the actual possibilities of these banks and making use of already established and satisfactorily operating channels for exchange of information.

B. The exchange of information on development projects and on references of firms

Contrary to the general system which would engulf both development and commercial banks, the proposed information system on the exchange of information on development projects is relevant mainly to development banks. This means that commercial banks will not receive information on development projects in which some of their clients might be interested.

Appropriate consent is, of course, the necessary condition for the establishment of this system among developing countries' banks. For the beginning, however, it would be sufficient that only a few development banks reach such an agreement, while in due course the system would expand by incorporating a greater number of interested development banks.

The information system on development projects among banks in developing countries could begin operations by exchanging basic data on the kind, location, value, and technical characteristics of the development projects for which foreign partners are sought. Mutual information on a specific development project could be exchanged through the system by:

(a) The development bank of the country in which the project will be implemented;

(b) A development bank of any other developing country participating in the system and interested in receiving information on a particular project;

(c) A development bank of any other developing country participating in the system, already taking part in the financing of similar projects and willing to offer technical assistance to the project.

The exchange of information on development projects would circulate exclusively among development banks participating in the system, thus ensuring confidentiality. Within this closed system the banks would probably also be willing to exchange information on their experiences in financing individual projects. The exchange of experiences would be of great importance to these banks and finally to their countries.

In the second stage of dissemination, the development banks - members of the system - would distribute the information to those commercial banks and firms which might be interested in the particualar project. At this stage the system should also include those commercial banks through which the interested firm would ask for additional information on the project.

Annex

Questionnaire

on experience and potential of information flows among developing countries' banks

1. Name and address of the bank:

2. Name and position of the respondent:

3. What is your bank's profile?

   3.1 A development bank

   3.2 An export credit institution

   3.3 A specialized investment bank

   3.4 A regular commercial bank

   3.5 Other type of bank, please describe briefly:

4. Is your bank paying particular attention and granting preferential treatment to transactions with developing countries:

   4.1 No
   (please explain):

   4.2 Yes
   (please explain the instruments of preferential treatment):

5. Is your bank furnished satisfactorily with information on development projects in other developing countries?

5.1 Yes
(from what sources):

5.2 No

6. What type of information (on development projects) would your bank wish to receive from other developing countries' banks?

6.1 Preliminary information on possible projects

6.2 Early notice on projects selected by government or other investors

6.3 International bidding terms for projects

6.4 Other
(please specify):

7. Is your bank willing to contribute in order to improve information flows among developing countries' banks? If so, in what way:

7.1 Inter-bank exchange of information on an ad hoc basis
(please explain):

7.2 Regular exchange of information through existing channels (representative offices, contacts between bank officials, distribution of the banks' bulletins, etc.)
(please explain):

7.3 Setting up a bank information network
(please explain):

For the guidance of our publications programme in order to assist in our publication activities, we would appreciate your completing the questionnaire below and returning it to UNIDO, Division for Industrial Studies, P.O. Box 300, A-1400 Vienna, Austria

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Q U E S T I O N N A I R E

Exchange of information among developing countries' banks to facilitate industrialization

		(please check appropriate box) yes	no
(1)	Were the data contained in the study useful?	☐	☐
(2)	Was the analysis sound?	☐	☐
(3)	Was the information provided new?	☐	☐
(4)	Did you agree with the conclusion?	☐	☐
(5)	Did you find the recommendations sound?	☐	☐
(6)	Were the format and style easy to read?	☐	☐
(7)	Do you wish to be put on our documents mailing list? If yes, please specify subjects of interest	☐	☐
(8)	Do you wish to receive the latest list of documents prepared by the Division for Industrial Studies?	☐	☐

(9) Any other comments?

Name:
(in capitals) .....

Institution:
(please give full adress) .....

Date: .....